

SEPTEMBER 29, 1980

TWO DOLLARS

Forbes



**ORGANIZED CRIME
UNREGULATED,
UNTAXED,
UNSTOPPABLE**

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EDWARD KIANKA
CONGRESSIONAL INF SERV
7101 WISCONSIN AVE
WASHINGTON DC 20014



74820 08317

September 29, 1980
Volume 126, Number 7



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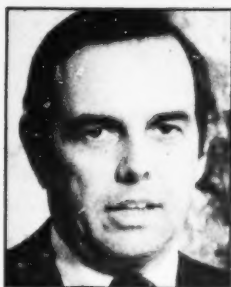
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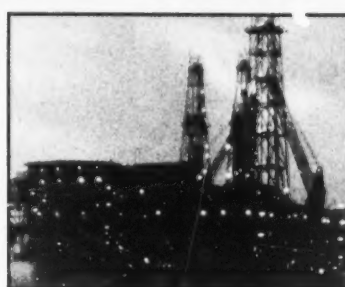
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Drawings: p. 160, James Giaccio

Forbes (ISSN 0015 6914) is published biweekly by Forbes Inc., 60 Fifth Ave., New York, N.Y. 10011. Second-class postage paid at New York, N.Y. and at additional mailing offices. Subscription \$27 a year, U.S.A. Postmaster: Send address changes to Forbes, 60 Fifth Ave., New York, N.Y. 10011. Copyright © 1980 Forbes Inc.

No less than 450 major U.S. companies are in the red. An opportunity for the courageous?

Red doesn't mean dead

PROBABLY NOT SINCE the days of conversion from war production to civilian production at the end of World War II have major U.S. corporations hemorrhaged so much red ink. Chrysler dropped \$1.8 billion over 12 months. White Motor filed for bankruptcy. The bleeding is going to get worse before it eases up.

Consider this: In the most recent 12 months one in every ten of the 4,500

actively traded public companies in the U.S. will show red ink. The table below lists many of them.

The table shows that Detroit's problems have spread to many auto-related industries. Most of the stocks in the table are selling way below book value. Although some of the underlying assets are of questionable value—there are very few people in the market for bias-ply tire plants or fuel-thirsty 707 aircraft—many

Statistical Spotlight

assets are probably worth at least stated book value, if not more. Ford is a good example. In a good year Ford can make \$14 a share—the present price reflects a potential P/E of less than 2.

If and when these moneylosing companies return to profitability, most will have juicy tax-loss carryforwards. Potential tax-loss carryforwards also have value in the acquisition game. Other than giants such as Ford and Chrysler, many of the moneylosing firms are tempting, and possibly willing, acquisition targets.

Behind the bad news there's cause for optimism. Large writeoffs explain many losses, and bloodletting and axing of unhealthy operations will undoubtedly leave many firms with healthy cores.

If the time to buy is when nobody wants 'em, this may be the time to buy some of these stocks. Which ones? The ones that turn adversity to good use by cutting costs. The ones that are essentially healthy and attractive as takeovers once the losses stop. The smart investor would probably buy a package of the stocks rather than just picking one or two. When you take risks, it's always a good idea to spread the risk.—Steve Kichen

Damage report

The 90 companies listed below—all of them with annual sales of more than \$125 million—lost over \$5 billion in the latest 12 months. Needless to say, very few companies on this list are currently paying dividends.

Company (Industry)	Recent price	Recent 12 months—			1979 earnings per share ¹	1978 earnings per share ¹	Book value per share	Book/price
		sales (000)	loss (000)	loss per share				
Chrysler (automotive)	8 7/8	\$10,011,900	\$-1,821,300	\$-27.89	\$-17.18	\$-3.54	\$8.82	0.99
Ford Motor (automotive)	27 1/4	37,899,900	-569,400	-4.75	9.75	13.35	79.20	2.85
Intel (leasing)	2 1/2	NA	-393,100E	-34.00E	-37.00E	3.86	NA	—
US Steel (steel)	22 1/2	12,572,300	-388,800	-4.55	-4.46	2.85	58.01	2.59
Intl Harvester (agricultural equip)	31 1/4	6,485,779	-269,921	-8.76	12.01	6.14	61.80	1.94
Uniroyal (tire & rubber)	4 7/8	2,309,588	-138,107	-5.20	-4.54	0.04	16.89	3.46
Braniff Intl (airline)	6 1/2	1,462,418	-130,880	-6.57	-2.21	2.26	8.77	1.35
First Pennsylvania (banking)	5 1/2	1,037,533	-112,413	-7.21	1.06	1.98	14.94	2.71
Firestone (tire & rubber)	7 7/8	5,034,100	-98,000	-1.70	1.35	-2.58	25.02	3.17
Pan Am World Airways (airline)	5 1/8	3,051,509	-93,272	-1.31	1.07	2.31	9.14	1.62
Massey-Ferguson (agricultural equip)	7 1/4	3,218,129	-89,482	-5.33	-3.65	-14.84	25.15	3.24
Food Fair ² (groceries)	2 7/8	1,547,987	-85,720	-11.66	-27.94	-7.51	neg	—
American Airlines (airline)	9 1/2	3,459,320	-77,710	-3.12	2.63	4.27	24.24	2.65
Sambo's Restaurants (fast foods)	6 1/4	546,373	-75,124	-5.90	-6.06	0.59	2.31	0.36
American Motors (automotive)	5 1/8	2,952,638	-61,697	-1.92	2.24	0.80	11.54	2.05
City Stores ² (retail)	3 1/4	252,060	-58,494	-17.93	-17.24	0.30	7.29	2.24
White Motor ² (automotive)	5	1,111,178	-56,577	-6.17	0.67	-0.06	18.75	3.75
UNC Resources (mining)	15 1/4	270,625	-44,452	-4.16	-3.20	3.84	14.37	0.94
UAL (airline)	20 1/2	4,787,333	-44,001	-1.49	-2.50	11.93	36.57	1.78
Fedders (air conditioning)	4 1/4	154,801	-40,542	-3.84	-3.61	-0.07	2.16	0.50
Trans World Corp (airline)	17 1/4	4,694,463	-39,722	-3.68	-0.41	4.54	15.15	0.85
Continental Air Lines (airline)	8 1/8	980,105	-31,793	-2.08	-0.87	3.29	13.03	1.60
Seatrail Lines (shipping)	6 1/2	1,219,220	-23,995	-1.60	-2.42 ³	0.77 ³	0.55	0.08
Texfi (textiles)	3 3/8	160,068	-23,966	-6.95	-0.98	0.97	7.71	2.12
Combustion Equipment (machinery)	9 1/8	140,462	-23,569	-2.55	-2.55	-0.66	4.02	0.44
Great A&P (groceries)	6 1/2	6,665,962	-22,111	-0.89	-0.15	-2.10	15.23	2.34
Monfort of Colorado (beef packing)	4 1/4	732,231	-21,140	-4.27	-0.04	0.39 ⁴	4.82	1.13

¹For fiscal years ending July through June of the following year. ²Chapter 11 bankruptcy proceedings. ³Prior fiscal year. ⁴Acquisition pending.
E = Estimate. NA = Not available. neg = negative. Sources: Standard & Poor's, FORBES.

Damage report

Company (Industry)	Recent price	Recent 12 months			1979 earnings per share ¹	1978 earnings per share ¹	Book value per share	Book/price
		sales (000)	loss (000)	loss per share				
Republic Airlines (airline)	8 3/8	\$ 687,971	\$-19,595	\$-0.98	\$0.70	\$1.42	\$7.06	0.84
Arctic Enterprises (recreation)	3 3/4	161,104	-18,544	-5.88	-3.67	0.61	6.90	1.84
McLough Steel (steel)	7 7/8	644,756	-17,703	-3.38	1.58	1.84	32.87	4.17
Winnebago Inds (mobile homes)	2 7/8	94,997	-17,082	-0.68	-0.16	0.04	2.49	0.86
Envirotech (machinery)	12 1/4	626,112	-15,386	-3.36	-3.30	1.48	22.89	1.86
Culbro (tobacco)	10 3/8	442,267	-14,924	-4.68	-6.62	-1.52	12.26	1.18
Superscope (consumer electronics)	6 1/4	169,796	-14,871	-6.44	-6.33	-6.71	14.74	2.35
KLM (airline)	34 1/4	1,627,338	-14,334	-3.60	1.82	8.04	82.51	2.41
Manhattan Industries (apparel)	7 1/8	339,846	-12,980	-4.95	-5.01	-2.87	14.79	2.07
Penn-Dixie Industries ² (cement)	3 3/8	361,096	-11,984	-2.25	-2.65	-0.17	8.03	2.07
Coachmen Inds (recreational vehicles)	6 3/4	112,392	-11,455	-3.22	-2.60	2.29	10.49	1.55
Memorex (computers)	15 3/8	749,143	-11,362	-1.94	3.91	5.65	23.68	1.51
Intl Foodservice (food service)	7 1/8	203,332	-11,135	-3.71	-3.92	-3.17	neg	—
Commonwealth Oil (oil retailing)	6 1/8	1,260,626	-10,765	-0.83	3.93	-3.80	8.34	1.36
Goldblatt Brothers (retail)	2 1/4	284,201	-10,256	-3.38	-2.18	-0.57	10.07	4.47
Instrument Systems (multicompany)	13 1/16	201,270	-10,045	-0.30	0.07	0.05	0.79	0.97
World Airways (airline)	5	151,968	-9,587	-0.98	1.16	0.30	10.69	2.13
Champion Home Bldrs (mobile homes)	1 1/4	195,769	-8,730	-0.24	-0.19	0.13	0.78	0.62
Talley Inds (precision instruments)	5 1/2	373,694	-8,730	-2.21	-1.65	1.52	9.16	1.66
Ehrenreich Photo-Optical (prec instr)	11 1/4	152,621	-8,650	-4.16	-4.16	1.04	10.32	0.91
Ward Foods (food processing)	10 3/8	278,280	-8,533	-2.18	-1.85	1.23	2.50	0.23
Fleetwood Enterprises (mobile homes)	8 3/8	472,063	-8,474	-0.75	-0.75	2.01	9.86	1.14
Valmac Industries (poultry)	14	212,315	-7,988	-3.55	-3.55	0.91	11.21	0.80
Ozark Air Lines (airline)	6 1/8	228,446	-7,096	-1.03	-0.13	1.20	5.36	0.87
Filmways (recreation)	8 3/8	176,263	-6,991	-1.15	-0.04	1.57	4.22	0.48
Orange-co (citrus)	6 1/2	140,974	-5,860	-1.54	1.17	0.47	6.60	1.01
Bobbie Brooks (apparel)	4 3/4	210,313	-5,221	-1.14	-1.16	1.24	7.01	1.64
Gateway Transportation (trucking)	8 3/4	143,669	-5,173	-3.93	-4.39	-1.18	1.43	0.17
Fotomat (personal services)	5 3/4	211,834	-4,737	-0.55	-0.57	0.77	4.76	0.82
Tyson (food processing)	15 3/4	381,809	-4,360	-1.14	2.32	2.64	10.56	0.67
Ronson (electrical equipment)	2 3/8	138,187	-4,348	-0.98	0.15	0.06	4.79	1.82
Dayton Malleable (metal products)	17	154,499	-4,305	-2.92	2.12	1.52	33.25	1.95
CH Masland (home furnishings)	6 1/2	144,517	-4,265	-2.79	-1.92	1.65	20.35	3.13
Cagle's (food processing)	6	170,395	-3,773	-1.63	-0.69	2.10	6.67	1.11
Roblin Industries (steel fabricating)	5 3/8	131,701	-3,662	-1.64	0.17	1.26	6.06	1.07
Bibb (textiles)	9 3/8	264,648	-3,489	-2.17	1.14	3.30	40.92	4.25
Keystone Consolidated (steel prods)	9 3/8	396,136	-3,450	-1.84	-1.84	0.40	59.73	6.20
Wilson Freight ² (trucking)	1	197,184	-3,339	-1.97	-1.97	-1.30	3.09	3.09
M Lowenstein (textiles)	10 1/2	644,599	-3,224	-0.97	-1.02	3.35	43.97	4.18
Sheller-Globe (automotive)	6 7/8	544,100	-3,038	-0.85	1.84	2.31	17.42	2.53
WTC (freight service)	5 3/8	167,154	-2,863	-1.35	-0.98	0.39	3.52	0.65
Victoria Station (restaurants)	9 3/4	128,112	-2,803	-0.93	-0.42	1.13	13.07	1.41
Standard Products (automotive)	13 1/2	213,623	-2,760	-2.26	-2.26	4.37	31.04	2.29
Gino's (fast foods)	10 1/2	323,794	-2,448	-0.46	-0.16	1.23	8.66	0.82
McLean Trucking (trucking)	11 3/8	724,889	-2,432	-0.43	-0.43	1.44	17.65	1.51
Hayes-Albion (automotive)	10 3/8	213,730	-2,358	-0.61	0.06	2.52	17.00	1.63
Elixir Industries (mobile homes)	4 1/8	144,109	-2,323	-0.52	0.30 ³	0.96 ³	8.57	2.08
Laclede Steel (steel)	9	234,025	-2,323	-1.40	-0.03	2.45	29.64	3.29
Westmoreland Coal (coal)	24 3/4	414,853	-2,280	-0.33	0.26	0.20	26.09	1.05
Fischer & Porter (precision instr)	12 3/8	176,604	-2,157	-0.81	-0.30	1.74	20.50	1.62
Facet Enterprises (automotive)	5 1/4	138,162	-2,149	-0.77	-0.12	0.25	16.48	3.13
Soundesign (consumer electronics)	6 3/4	142,894	-1,824	-0.82	0.25	0.38	13.09	2.09
Raybestos-Manhattan (automotive)	21 1/4	283,004	-1,213	-0.55	2.24	4.90	44.91	2.06
F&M Schaefer (brewing)	4 3/4	172,660	-1,188	-0.63	-2.51	-33.90	neg	—
Foodarama (groceries)	4	434,096	-1,130	-0.85	0.58	1.58	12.88	3.22
Salem Carpet Mills (furnishings)	2	180,616	-1,064	-0.15	0.06	0.99	3.21	1.60
American Biltrite (multicompany)	7	206,446	-1,055	-0.41	1.26	1.31	20.97	2.99
Susquehanna (building)	3 1/2	118,883	-1,028	-0.43	0.34	1.67	neg	—
Spector Industries ⁴ (trucking)	10	323,749	-756	-0.41	1.29	2.93	10.57	1.05
Robintech (building)	7 1/8	169,567	-755	-0.40	-2.1 ³	1.37 ³	12.93	1.81
National Kinney (multicompany)	3	304,433	-666	-0.32	-0.40	-0.49	0.35	0.11
Vornado (retail)	20 7/8	714,672	-585	-0.10	-0.14	1.92	26.59	1.27
Edward Hines Lumber (forest prods)	17	312,211	-529	-0.30	1.58	6.17	45.82	2.69

¹For fiscal years ending July through June of the following year. ²Chapter 11 bankruptcy proceedings. ³Prior fiscal year. ⁴Acquisition pending.
E = Estimate. NA = Not available. neg = negative. Sources: Standard & Poor's; FORBES.